

North Dakota Workforce Development Council – State Commission on National and Community Service



AmeriCorps Fiscal Manual

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INTRODUCTION

This fiscal manual has been developed to assist programs funded by the North Dakota Workforce Development Council – State Commission on National and Community Service (State Commission) to operate a fiscally sound program and maintain compliance with federal and state statutes, regulations, provisions and policies. It is intended to be a reference guide only. Programs are subject to the terms and conditions of the grant and any other State and Federal requirements.

The term Sub-Grantee and program are used interchangeably throughout this manual. The AmeriCorps definitions are included in this manual.

The North Dakota Workforce Development Council – State Commission for National and Community Service extends a special thank you to the Idaho Commission for National and Community Service for sharing their fiscal management procedures with the North Dakota Workforce Development Council – State Commission on National and Community Service.

1. Grant Award Conditions

A. General

The grant award is an agreement between the State Commission and the grant recipient, or program. Programs must conform to the agreement as specified. Failure to do so may result in the withholding or disallowance of payments, the reduction or termination of the grant award, and/or the denial of future grant awards.

Sub-Grantees must comply with all applicable federal/state laws and regulations.

B. Supplanting Prohibited

State Commission funds must be used to supplement existing funds for program activities and not replace those funds that have been appropriated for the same purpose. Supplanting is strictly prohibited for all State Commission funds.

C. Fund Availability

The grant award entered into with the State Commission is subject to any applicable restrictions, limitations, or conditions enacted by the North Dakota Legislature and/or the United States Government subsequent to execution of the grant award.

2. Financial Management System Basics

A. General

To build a good financial management system, the Sub-Grantee must use General Approved Accounting Practices, using general ledgers, and similar books of record supported by source documentation, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document, which establishes a clear audit trail. The following is a list of tasks your program must do:

- Maintain financial reports that lead clearly back to ledgers and source documents.
- Document payroll through time and attendance records and payroll tax records.
- Maintain written cost allocation procedures and individual time distribution records that allow the programs to identify and segregate costs chargeable to the grant.
- Separate financial responsibilities (for example: having one person sign the checks and another reconcile the bank statement, or one person authorizing expenditures and another posting them in the ledger and balancing the books).
- Insure, maintain, and keep track of the program's property.
- Protect the organization through liability insurance.
- Document and track in-kind and cash match to the grant award.

B. Allocable Costs

An allowable cost is allocable to the AmeriCorps grant (either as a program cost or an administrative cost) if it is:

- Incurred specifically for the AmeriCorps program or
- Benefits both the AmeriCorps program and other work, but can be distributed fairly between the grant and another funding source.

- Necessary to the overall administration of the program.

C. Allowable Costs

A cost is considered allowable under the grant if it is:

- Reasonable
- Budgeted for under the grant
- Complies with generally accepted accounting principles
- Complies with OMB cost principles
- Not charged against any other grant or used to match other grant funds
- Treated consistently with other costs incurred by the organization
- Documented

D. Financial Records

Sub-Grantees must document every cost charged to the grant. For example, programs must keep signed time and attendance records for each and every individual employee and member. Payroll documents shall be approved by an official of the organization. Sub-Grantees allocating an employee's salary between this grant and another funding source, must keep individual time distribution records. Records must reflect actual time distribution and not budget allocation time distribution. Programs must keep source documentation for other costs such as: receipts, travel vouchers, invoices, bills, affidavits, volunteer costs. Programs must also document all in-kind and other matching contributions, including grant award documents and receipts from other funding.

E. Disposal of Records

Programs must make reasonable efforts to protect the confidentiality of disposed program records in such a way as to protect the identity and privacy of members.

F. Retention of Financial Records

All financial records, supporting documentation, member information, statistical records, evaluation data, and personnel records must be kept and available to the Commission and Corporation for 3 years after the grant closes. If an audit is started prior to the expiration of the 3-year period, the records must be retained until the audit findings involving the records have been resolved and final action has been taken.

G. Receipts for Program Costs Incurred

Sub-Grantees must keep adequate records so an auditor can link billable items to source payment documentation. All receipts are to remain on-site for audit purposes.

3. Accounting System and Structure

A. General

Sub-Grantees must establish and maintain an adequate accounting and internal administrative control system. The accounting system must fully record the amount and disposition of all program funds. Accounting records must show receipt of funds and expenditures by source (e.g. federal, state, or local). Matching funds and related expenditures must be identified in the accounting records (i.e., general ledger). A fund accounting system must be maintained that

ensures all State Commission income and expenditures are separately identifiable from non-commission funds. Financial institutions used for the deposit of grant funds must be insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC).

B. Accounting System

The accounting system must include the account structure, accounting records, and procedures that define how and by whom the funds are handled. Accounting records must identify the receipt and the expenditure of all State Commission funds. The accounting system should conform to Generally Accepted Accounting Principles (GAAP).

Accounting systems for State Commission Programs may be on a cash, accrual, or modified accrual basis. *Note: Commission payment requests should be made only on a cash basis.*

C. Cash Basis

Under a cash basis system, revenue is not recognized when it is earned, but rather only when the payment is received. Similarly, expenses are recognized when they are paid, not when they are incurred.

D. Accrual Basis

Accrual basis revenue is recognized in the accounts when the transaction occurs (when earned), regardless of the period in which the related cash is collected. Expenses are recognized and matched with the revenue of the period to which it relates, regardless of when it is paid.

E. Modified Accrual Basis

Modified accrual basis is a compromise between the cash and accrual systems used by most governmental units. Revenues are recognized either when they are received in cash (e.g. licenses or fines), or when collection of the amounts can be reasonably estimated to be received in the near future (e.g. property taxes). Expenses are generally recognized in the period in which goods and services are received or a liability is incurred.

The accounting system must provide accurate and current financial reporting information. All accounting records and supporting documentation must maintain a clear audit trail.

The Sub-Grantee must establish and maintain a system of internal accounting control adequate to safeguard grant assets, review the grant accounting and financial data for accuracy and reliability, and promote operational efficiency.

F. General Ledger Account Structure

Expenditures of grant funds must be recorded in categories which parallel the grant award.

All general ledger account entries must be supported by the subsidiary records and the original source documentation. The format of the subsidiary records is determined by the Sub-Grantee. The Sub-Grantee must be able to show with documentation (i.e. work sheet) that general ledger entries can be traced (reconciled) to the reimbursement claim.

4. Match Requirements

A. Cash Match

Cash match, also known as hard match, is income from a source other than federal funds that is budgeted for the program. Programs must provide a minimum 15% cash match for member living allowances and member support.

B. In-Kind Match

In-kind match, also known as soft match, is the program's contribution of non-cash outlay of materials or resources to support a percentage of Commission grant award activities. It may include non-cash outlay contributed by other public agencies and institutions, private organizations and individuals. Examples include donated office supplies, equipment, and professional services. In general, the value of in-kind contributions is determined by fair market value.

Programs must maintain documentation to support the claimed hourly salary rate of the services. The rate claimed should be comparable to the rates for paid employees performing similar duties.

The documentation maintained should include duty statements for the volunteer positions and the comparable paid employee positions and information regarding the hourly salary rates paid to those particular employees. The hourly volunteer rate, multiplied by the volunteer hours worked, equals the dollar amount of the in-kind contributions. This calculation and the other referenced documentation should be maintained as part of the accounting records.

C. Required Match

The minimum required match for AmeriCorps grants is 15% cash, from a non-federal source, for member living allowances and member support costs and 33% cash or in-kind for administration and program costs of the approved budget form.

D. Budgeted Match

All match specified in the budget is part of the grant award and is subject to all programmatic restrictions, audit requirements, and must be fully met by the program.

E. Match Documentation

Match information should be recorded in the accounting systems general ledger.

All documentation rules that support regular expenditures also apply to in-kind matching. Expenditures should contain documentation that supports why the transaction is allowable. Accounting records should trace back to source documentation. In-kind donations should also include description of the donation with determination of value and certification by the donor and program staff.

5. Administrative Costs

A. General

Administrative Costs means general or centralized expenses of overall administration of an organization that receives Corporation funds and does not include particular program or project costs. For organizations that have an established indirect cost rate for federal awards, administrative costs mean those costs that are included in the organization's indirect cost rate. Such costs are generally identified with the organization's overall operation and are further described in OMB Circulars A-21, A-87 and A-122. For organizations that do not have an established indirect cost rate for federal awards, administrative costs include:

- Costs for financial, accounting, auditing, contracting or general legal services except in unusual cases where they are specifically approved in writing by the Corporation as program costs;
- Costs for internal evaluation, including overall organizational management improvement costs (except for independent and internal evaluations of the program or project evaluations that are specifically related to creative methods of quality improvement); and
- Costs for general liability insurance that protects the organization responsible for operating a Program or project, other than insurance costs solely attributable to the program or project.

B. Limitation by Statute

The maximum Corporation share of administrative costs cannot exceed 5% of total Corporation funds actually expended under the grant.

C. Fixed 5%

If approved on a case-by-case basis by the Corporation, the Sub-Grantee may charge, for administrative costs, a fixed 5% of the total of the Corporation funds expended. In order to charge this fixed 5%, the Sub-Grantee match for administrative costs may not exceed 10% of all direct cost expenditures. These rates may be used without supporting documentation and are in lieu of an indirect cost rate.

D. Indirect Cost Rates

If Sub-Grantees have an approved indirect cost rate, such rate will constitute documentation of the Sub-Grantee's administrative costs including the 5% maximum payable by the Corporation and the Sub-Grantee match of administrative costs.

If a Sub-Grantee wants to claim more than 10% match in administrative costs it must have or obtain an approved indirect cost rate. Where appropriate, the Corporation will establish an indirect cost rate that may be used for this and other federal awards.

E. Consistency of Treatment

To be allowable under an award, costs must be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization. Furthermore, the costs must be accorded consistent treatment in both federally financed and other activities as well as between activities supported by different sources of federal funds.

6. Insurance

A. Liability Insurance

Programs must have sufficient liability insurance to protect the organization, employees, and members. Members engaged in both on and off-site program activities must be covered. Programs decide how much liability coverage is sufficient, given the specific risk factors the program presents. General liability insurance is an administrative cost which can be charged against the grant (subject to the grant's administrative cost limit) or included in the program's match. If in the approved budget, insurance purchased specifically to cover member liability can be charged as a direct program cost. A good resource is a publication by the Nonprofit Risk Management Center called "Insurance Basics for Community Service Programs".

B. Worker's Compensation

Worker's Compensation is an allowable cost to the Grant. The Sub-Grantee is responsible for determining whether state law requires the provision of Worker's Compensation for members. If a Program is not required by state law to provide Worker's Compensation, the program must obtain Occupational Accidental Death and Dismemberment insurance coverage for members to cover in-service injury or incidents.

C. Unemployment Insurance

AmeriCorps programs in North Dakota must pay unemployment insurance for members. Refer to North Dakota Century Code. Program staff and members must be covered by unemployment insurance applicable by their employment status.

7. Prohibited Expense Items

A. Fundraising

State Commission grant funds cannot be used for organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, or similar expenses incurred solely to raise capital or obtain contributions.

B. Real Property and Improvements

Real property, including land, land improvements, structures and their attachments, and structural improvements and alterations are not allowable costs under State Commission grant funds.

C. Interest

The cost of interest payments is not an allowable expenditure.

8. Withholding or Disallowance of Grant Funds

A. General

The State Commission may withhold grant funds and/or disallow expenditures when the Sub-Grantee fails to comply with any term or condition of the grant award or federal regulations. This may include, but is not limited to, the following:

- Failure to submit the required reimbursement claims in a timely manner
- Failure to submit the required progress reports in a timely manner
- Failure to resolve interim or final audit exceptions on past or current grants in a timely manner
- Inadequate maintenance of accounting records
- Failure to cooperate with or admit commission staff or representatives (e.g., audit team) to review program and/or fiscal records.

B. Reduction or Termination of Grant Funds

The State Commission may reduce or terminate grant funds for reasons that may include, but are not limited to the following:

- If the Sub-Grantee fails to comply with any term or condition of the grant award.
- If during the term of the grant award, the federal funds appropriated for the purpose of the grant award are reduced or eliminated by the United States Government.

C. Denial of Future Funding

Sub-Grantees that have been previously funded by the State Commission will be reviewed for past compliance, including financial management, progress and annual reports, monitoring results, audit reports, and any other relevant documentation or information.

Failure to comply with any term or condition of a grant award may result in the denial of future grant awards.

D. Food and Beverages

Due to increased meetings required for member training events, it is realized that coffee and soft drinks are an important part of these activities. Payment for coffee and soft drinks will be honored for processing through a miscellaneous claim for payment to the extent that this cost is included in the grant award.

Coffee and soft drinks during staff meetings for program, project or member staff is not allowed.

Alcoholic beverages are not an allowable cost.

9. Budget and Programmatic Changes

A. Commission Approval Required

The Sub-Grantee must obtain written approval of the North Dakota Workforce Development Council - State Commission on National and Community Service before making the following budget changes:

- Changes in the scope, objectives or goals of the program, whether or not they involve budgetary changes
- Changes in (or absences of) the program director and other designated personnel
- Changes in the level of member supervision
- Sub-granting or contracting out any program activities (if not in grant)
- Changes in the grant project period or member class start and end dates (if not specified in grant proposal)
- Other costs requiring prior approval under the OMB cost principles circular
- Reallocation of funds from “Other Participant Support Costs” line items
- Purchases of equipment over \$5000 using grant funds (if not in the grant budget)
- Within the “Other Member Costs” category, the Sub-Grantee may not decrease funds budgeted for training and education without prior State Commission approval.

The Program may not reallocate funds in the “Member Support Costs” category (Category A). This category includes living allowances, FICA, unemployment insurance, worker’s compensation, health care, and alternative health care. These costs are directly related to the number of members the program agreed to enroll. If members drop out, funds may not be used to pay for other costs.

B. Budget Revisions

Programs may reallocate funds within individual sections of the budget up to 10% of the section subtotal without prior approval by the State Commission. The following exceptions require prior written approval from the Commission:

- All budget revisions in Member Living Allowances and Members Support Costs
- All budget reductions in “Member Training and Education”
- All budget revisions in administration and program support, Staff Salaries
- All budget revisions in “Corporation Sponsored Meetings”
- Specific costs requiring approval under OMB A-21, A-87, or A-122
- Purchases of equipment over \$5,000 unless in approved application and budget

Programs should allow 3 weeks for action on budget revisions requiring prior written approval. Program staff may be contacted to clarify information. Requests beyond the approval authority of the State Commission will be forwarded to the Grants Office at the Corporation for final approval. Allow an additional four weeks for response from the grants office

Programs must submit a budget revision worksheet within 30 days of any changes to the approved budget with a written narrative describing the changes.

Budget revisions must be in compliance with all grant guidelines and restrictions. Further guidance is available in the AmeriCorps provisions. Contact the State Commission Program Officer for clarification of guidelines.

10. Personnel Services – Salaries and Benefits

A. Program Director

The program director has general administrative authority for implementing program activities and maintaining compliance with all program administrative and fiscal requirements of the grant award.

The program director is responsible for:

- Ensuring that any program monies expended or obligated are for allowable costs and are in compliance with the approved budget;
- Maintaining required documentation of program activities and accomplishments; and
- Signing all reports and grant modifications.

B. Financial Officer

The Financial Officer monitors the actual receipt and payment of grant monies. The financial officer is responsible for:

- Maintaining proper accounting records;
- Signing fiscal reports, grant modifications and progress reports where appropriate; and
- Ensuring the appropriate expenditure of grant funds.

The financial officer must be someone other than the program director, unless specific arrangements have been negotiated with the State Commission.

C. Provisions Regarding Allowable Compensation For Personnel

Salaries and benefits of personnel involved in more than one grant or program must be charged to each grant based on the actual percentage of time spent on each grant or program. The annualized actual percentage charged for a particular position (e.g., Program Director) cannot exceed the annual percentage approved in the State Commission grant award. Similarly, the dollar amount charged for a particular position also must not exceed the dollar amount in the approved grant award. Timesheets must be maintained which support the time charged to State Commission grants.

Example A: If the State Commission grant award budget allows 100% of salaries and benefits for the program director and during the grant period the organization received grant or program funds from another agency that the program director administers, the actual time spent on each of the programs must be accounted for. Because there is more than one program and funding source, the program director is no longer spending 100% of his/her time on the Commission program. Even though the State Commission grant established a maximum of 100% for the program director's position, the organization may only charge the State Commission the actual time spent by the program director on the State Commission program. If only 25% of the program director's time is used for the State Commission grant, then only 25% of the

dollar amount in the grant award can be claimed. A budget revision must be submitted for approval of any allocation changes.

Example B: The State Commission grant award budgets 20% of salaries and benefits for a program trainer. During the grant period the actual time spent by the program trainer amounts to 50% of actual hours charged. The State Commission can only be charged 20% of the salaries and benefits amount listed in the approved grant award for the program trainer. If the program trainer had actually spent only 10% of his/her time on State Commission programs, and 20% was actually budgeted, the State Commission can only be charged 10% of the salaries and benefits amount for the program trainer. A budget revision must be submitted for approval of any allocation changes.

D. Written Job Description

Programs must have written job descriptions on file (as opposed to job specifications) for all positions funded by the State Commission, detailing specific grant-related activities to achieve program objectives. These duty statements shall reflect specific grant related duties required by the objectives of the program and should not be the standard job classification description for this title of position within the agency.

All aspects of grant management should be included in staff job descriptions where appropriate to include: program development, tracking program activities, maintenance of documentation, member and staff supervision, systems development, reporting, etc.

E. Documentation

Time distribution reports must be used to provide tracking of individual time when they are involved in more than one activity or charge time to more than one program or project. Time distribution reports must accurately distribute time to the appropriate programs and projects.

11. Travel and Per Diem

A. General

Travel is warranted when personal contact by the employee is the most appropriate method of conducting program-related business.

The most economical method of transportation, in terms of direct expenses to the program and the employee's time away from the program, must be used.

Programs are required to include sufficient per diem and travel allocations for program-related personnel, as outlined in the grant award, to attend the mandated State Commission training conferences or workshops.

B. Travel Claims

Documentation of travel indicating times of departure and return, destinations, and costs, must be maintained to support subsistence allowance (per diem) claims. Mileage logs and receipt vouchers for commercial transportation fares and other expenses must support claims for reimbursable expenses.

C. Travel Reimbursement Guidelines

Programs may be reimbursed for authorized travel costs, not to exceed maximum rates set by the State of North Dakota. *See North Dakota State travel regulations*

D. Reimbursement for Out-Of-State Travel and Travel periods of over 24 Hours

Sub-grantees will be required to receive written approval from the State Commission for any travel that involves out-of-state or travel exceeding 24 hours, unless it is travel that has been identified and approved in the initial grant award process.

E. Transportation Costs

All transportation costs reimbursement will be based on the most cost effective method of travel.

12. Consultant Services

A. General

Consultant services are provided on a contractual basis by individuals or organizations that are not employees of the program. Consultants must not be used in lieu of employees.

Consultants are defined as individuals or organizations that meet the following criteria:

- Produce a specific product or service;
- Work independently without direct supervision from the program;
- Work on specific programs;
- Provide services for a limited number of hours or period of time; and/or
- Have no agency management or oversight responsibilities that are directed toward the financial success or direction of the agency.

There must be a signed, written agreement between the organization and consultant specifying the contract period, compensation rate, duties or obligations, and any other conditions of employment. **The maximum daily rate for Consultants is \$443 per day.**

13. Program and Other Income

A. Program Income

Program income is defined as the profit resulting from income generated through or as a consequence of a State Commission grant-funded program. Profit is the amount of income remaining after deducting costs.

Program income must be used to fund the Sub-Grantee share of the match and be reinvested back into the project activities.

14. Payment and Reimbursement Claims

A. General

Programs may submit claims for reimbursement of costs no more frequently than monthly or less frequently than quarterly, unless other submission schedules are approved by the North Dakota Department of Commerce, Office Manager. The State Commission reimburses for budgeted and approved expenditures already incurred. Under no circumstances will the State Commission reimburse Sub-Grantees for unauthorized or unallowable expenses.

Typically, Sub-Grantees can expect to receive payments three weeks after receipt of the draw down request by the State Commission. Sub-Grantees must project this timetable to avoid potential cash flow problems. Sub-Grantees anticipating cash match or cash flow problems need to contact the State Commission as soon as possible.

New Sub-Grantees must complete a W-9 form and submit to the State Commission to be authorized on the state accounting system. Direct deposit is available by completing a direct deposit form accompanied by a deposit slip from your bank account.

B. How to Submit a Reimbursement Claim

Step 1:

Complete a Request for Draw form provided by the North Dakota Department of Commerce.

Important Note: Incomplete or incorrect requests will not be processed.

Step 2:

Complete the Web Based Reporting System's (WBRS) "Periodic Expense Report" (PER). The PER must support the dollar amount you are requesting for reimbursement. Program Financial Director should review and save the PER as "Approved". Programs should document matching funds as they are expended and in-kind donations should be recorded as they are received.

Step 3:

Maintain a clear audit trail with supporting documentation for all expenses. Be prepared to submit additional information as requested. Allow 3 weeks for processing of Draw Down Requests. *The Department of Commerce will provide a draw down request form.*

C. Submitted Claims

Sub-Grantee reimbursements are made on a Cash Basis. The Sub-Grantee must expend cash before claiming expenditure. The Sub-Grantee must not request funds for expenses that have not been paid. Exceptions to this procedure, to accommodate sub-grantees who may experience a cash flow, will be approved by the State Commission Executive Director and the North Dakota Department of Commerce Office Manager. Exceptions will require that the sub-grantee expenditures occur prior to or on the date that the electronic fund transfer is received in their checking account.

D. Claimed Expenses

The claimed expenses must be grant-related (i.e., they must further the program objectives as defined in the grant award agreement) and be incurred during the grant period. The State

Commission reserves the right to make the final determination if an expense is allowable, necessary and reasonable.

E. Final Report of Expenditures and Request for Funds

If the Sub-Grantee does not submit a final claim within 90 days from the end of the grant award period, the State Commission may consider the last claim submitted as the final, and close out the grant award.

F. Double Billings

Sub-Grantees are prohibited from billing other federal, state, or local agencies for goods and/or services which have been billed and/or reimbursed to the program by the State Commission.

15. OMB Circulars

A. Cost Principles

Circulars on cost principles describe the type of expenses the Sub-Grantee can charge to the grant. In addition the circulars explain how to allocate costs between funding sources. Non-profit organization cost principles is contained in Circular A-122. Cost principles for institutions of higher education, are contained in circular A-21. Cost principles for government agencies are contained in OMB circular A-87. These circulars address two basic issues: whether the cost is allowable and is it allocable to the grant.

B. Uniform Administrative Requirements for Grants And Agreements

Non-profit organizations or institutions of higher education are covered by OMB Circular A-110. State or local government agencies are covered by OMB circular A-102. The Circulars address the adequacy of financial management systems, including accounting methods, internal controls, income and expense documentation, and written cost allocation policies. They cover:

- Financial Management
- Federal grant payments including advance payments
- The requirement to deposit grant funds in an interest-bearing account
- The obligation to return interest on grant funds in an interest bearing funds to the Federal Government
- Equipment purchases, inventory, and disposal
- Matching funding, including in-kind contributions
- Program income
- Products produced with grant funds
- Financial reporting and record-keeping requirements
- Close-out procedures
- Remedies for non-compliance

THE FOLLOWING CIRCULARS APPLY TO STATE GOVERNMENT:
OMB CIRCULAR DESCRIPTION

Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments - - 45 CFR 2541

A-87 Cost Principles for Local and State Governments

A- 133 Audits of State and Local Governments

THE FOLLOWING CIRCULARS APPLY TO NON-PROFIT ORGANIZATIONS:
OMB CIRCULAR DESCRIPTION

Uniform Administrative Requirements and Cooperative Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations - - 45 CFR 2543

A-122 Cost Principles for Non-Profit Organizations

A- 133 Audits of Institutes of Higher Learning and Other Non-Profit Organizations

THE FOLLOWING CIRCULARS APPLY TO EDUCATIONAL INSTITUTIONS:
OMB CIRCULAR DESCRIPTION

Uniform Administrative Requirements and Cooperative Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations - - 45 CFR 2543

A-21 Cost Principles for Educational Institutions

A- 133 Audits of Institutes of Higher Learning and Other Non-Profit Organizations

16. Audits

A. General

Sub-Grantees may be audited by an independent agency to determine whether:

- Financial operations are properly conducted
- Financial reports are fairly presented
- The Sub-Grantee has complied with all applicable laws, regulations, and administrative requirements that affect the expenditure of program funds

B. Requirements for Sub-Grantees

A sub-grantee organization that expends \$500,000 or more of total federal awards in a fiscal year is required to obtain a single audit for that year conducted by an independent auditor in accordance with the Single Audit Act, as amended, 31 U.S.C. 7501, et seq., and OMB Circular A-133. (If the grantee expends federal awards under only one federal program, it may elect to have a program specific audit, if it is otherwise eligible).

A sub-grantee that does not expend \$300,000 in federal awards is exempt from the single audit requirements of OMB Circular A-133 for that year. *However, it must continue to conduct financial management reviews of its programs, and records must be available for review and audit.*

C. Submittal and Review of Audit Reports

As a sub-recipient of Federal funds, Sub-Grantees must submit their audit reports to the State Commission within 120 days of the end of the program fiscal year. Sub-Grantees must follow up and correct identified weaknesses or findings. Programs that sub-contract with other agencies to administer programs, and provide \$300,000 or more in Federal funds, must require an A-133 audit and submittal of an audit report from the sub-contractor.

The Sub-Grantee (State Commission) has full fiscal and programmatic responsibility for managing the grant. These responsibilities include monitoring the fiscal and programmatic actions of the Sub-Grantee (program). The State Commission is required to monitor the Sub-Grantee's compliance with audit requirements. The State Commission collects and maintains copies of A-133 audits.

The State Commission reviews the audits for material weaknesses or issues that affect the AmeriCorps grant. The A-133 may alert the Commission to deficiencies in internal controls, noncompliance with grant provisions, and questioned costs.

Questioned Costs: Any cost charged to a grant that is questioned by the auditor because it is undocumented, unsubstantiated, unreasonable, unallowable, etc. If, after review, these costs are disallowed, the Corporation may request repayment for these costs from the program.

The State Commission may request and review management letters. Management letters are correspondence from the auditors to the Sub-Grantees management that conveys weaknesses in internal controls. Weaknesses in internal controls are rated and may be reported differently based on their severity, as follows:

Reportable Condition: Matters coming to the auditor's attention that should be communicated to the Sub-Grantee's audit committee or board of directors because they represent significant deficiencies in the design or operation of the internal control structure which could adversely affect the organization's ability to record, process, summarize, and report financial data. The auditor may also choose to report matters not defined as reportable conditions because they may benefit management. Reportable conditions may not be reported in the audit report but may be sufficient to identify issues of noncompliance or question costs in the grant

Material Weaknesses: A reportable condition in which the design or operation of the internal control structure does not reduce to a relatively low level the risk that errors or irregularities material to the financial statement may occur and not be detected within a timely period.

Note: Information from audit reports helps the State Commission monitor the program, but the reports are not used exclusively nor do they replace site visits or other monitoring or oversight activities.

17. Equipment

A. Definition

Equipment is non-expendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit (including tax and installation).

B. Allowable Equipment

Equipment which is directly related to and used for program activities, will only be considered for purchase approval if no other equipment owned by the applicant is available and suitable for the program.

Grant funds cannot be used to reimburse the program for equipment already obtained.

Equipment, which is initially budgeted in the grant award, should be ordered within the first four months so that it can be placed in service during the grant period.

C. Property/Equipment Purchase Requirements

Sub-Grantees shall obtain prior written approval for the purchase or lease of equipment with either an acquisition cost of \$5,000 or a useful life of one or more years, unless listed in the program budget. However, prior written approval for the purchase or lease of vehicles and trailers must be obtained from the State Commission in each instance, whether or not such action is included in the program budget. Programs must inventory equipment purchased with grant funds.

18. Procurement Procedures

A. General

(A) All Sub-Grantees shall establish written procurement procedures. These procedures shall, at a minimum, include the following:

- (1) Avoid purchasing unnecessary items.
- (2) Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
- (3) Solicitations for goods and services provide for all of the following:
 - (i) A clear and accurate description of the technical requirements for the material, product or service to be procured.
 - (ii) Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
 - (iii) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required.
 - (iv) The specific features of “brand name or equal” descriptions that bidders are required to meet when such items are included in the solicitation.
 - (v) Method to screen debarred vendors.

B. Code of Conduct

The program shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent shall participate in the selection, award, or administration of the contract supported by federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

C. Competition

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected when it is in the recipient's interest to do so.

D. Cost and Price Analysis

Some form of cost or analysis shall be made and documented in the procurement files as determined by the sub-Sub-Grantees fiscal policies. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted market prices together with discounts.

E. Procurement Records

Procurement records and files for purchases in excess of the small purchases threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

F. Contract Administration

A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions, and specifications of the contract and to ensure adequate and timely follow up of all purchases. Recipients shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions, and specifications of the contract.

19. Property Management

A. General

The Sub-Grantee's property management standards for equipment acquired with federal funds and federally-owned equipment shall include all of the following.

(1) Equipment records shall be maintained accurately and shall include the following information:

- (i) A description of the equipment
- (ii) Manufacturer's serial number, model number, federal stock number, national stock number or other identification number
- (iii) Source of the equipment, including the award number
- (iv) Whether title vests in the recipient or the federal government
- (v) Acquisition date (or date received, if the equipment was furnished by the Federal government) and cost

- (vi) Location and condition of the equipment and the date the information was reported
 - (vii) Unit Acquisition cost
 - (viii) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal-awarding agency for its share.
- (2) Equipment owned by the federal government shall be identified to indicate federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once a year. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. (See Attachment I)
- (4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the federal government, the recipient shall promptly notify the federal awarding agency.
- (5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

20. Monitoring

A. Definition

Monitoring is a mandated function of the State Commission for all grants administered by the State Commission. Monitoring refers to oversight and review activities performed by the State Commission to ensure Sub-Grantees are in compliance with all applicable regulations, laws, and guidelines governing AmeriCorps programs in North Dakota. The goal of the monitoring process is to support programs and help them achieve their goals.

B. Scope of Monitoring

Monitoring covers all areas of program operation including fiscal and programmatic issues, member supervision, progress towards objectives, etc. The State Commission employs several strategies to fulfill its monitoring responsibilities. Monitoring is accomplished through regular communication with program staff via telephone, Email, facsimiles and letters; reviews of WBRS reports, desk audits, and site visits.

State Commission monitoring activities do not replace annual audit responsibilities of Sub-Grantees and Sub-Grantees must submit copies of audit reports to the State Commission for review.

C. Program Monitoring

The State Commission's Program Officer will conduct program-monitoring site visits during each program year. Site visits may include review of fiscal and programmatic documentation, staff and member interviews, and stakeholder interviews.

D. Financial and Compliance Monitoring

The State Commission's Program Officer will conduct at least one financial compliance site-visit to each program or project during the program year. Fiscal expertise from within the North Dakota Department of Commerce may be used when needed.

The Program Officer will meet with the program's financial officer and/or other senior staff familiar with the program's financial procedures. Together, they will complete the Fiscal Monitoring Checklist and related testing grids. This review will analyze the following areas:

- Reporting and Communication Compliance
- Internal Controls and Capacity
- Adherence to standard accounting principles
- Implementation of fiscal procedures
- Early Issue Detection
- Follow-up and Support

Program staff should review this instrument prior to the site visit. The Program Officer will also review financial records/documents and member files.

The site visit provides the opportunity for both the State Commission and programs to improve their respective financial management systems as well as to strengthen their combined financial responsibility.

21. Grant Close-out

A. Policy

The Commission closes grants as determined by federal guidelines and facilitates the closure of sub-grants to programs. State Commission guidelines are listed below based on the Federal Register, Vol. 59, No. 155, Friday, August 12, 1994. Rules and Regulations, p.(46163-41614.)

1. Closeout Guidelines

- (a) *General.* The State Commission will close out grant awards when it determines that all applicable administrative actions and all required work of the grant have been completed.
- (b) *Reports.* Within 90 days after the expiration or termination of the grant, the program must submit all financial, performance, and other reports required as a condition of the grant. These may include but are not limited to:
 - (1) Final performance or progress report;
 - (2) Financial Status Report (SF 269A);
 - (3) Final request for payment (if applicable);
 - (4) Equipment Inventory;
 - (5) Residual Supplies Inventory;
- (c) *Certification.* Programs will submit signed certification that all administrative actions are complete for the grant including:
 - (1) Receipt of all applicable information from program sites;
 - (2) Financial accounts and records are accurate and complete; and

- (3) The above actions are included in the closeout reporting for the grant.

B. Later disallowances and adjustments

The closeout of a grant does not affect:

- (a) The State Commission's right to disallow costs and recover funds on the basis of a later audit or other review;
- (b) The program's obligation to return any funds due as a result of later refunds, corrections, or other transactions;
- (c) Records retention as required in Section 2541.420;
- (d) Property management requirements in Sections 2541.410 and 2541.320; and
- (e) Audit requirements in Section 2541.410.

22. Financial Status Report

Programs are required to file Financial Status Reports (FSR) quarterly using the WBRS reporting system. Programs must maintain all supporting documentation for expenditures reported on FSR's according to document retention guidelines. Programs should organize records to provide a clear audit trail linking source documentation for allowable expenses to the approved FSR's.

Programs must submit Financial Status Reports (FSR) by the dates issued in the annual calendar for each budget period. In general, Program FSR's are due one week prior to the State Commission reporting deadline on the last day of the month following the closing date for each quarter.

Program FSR's should be accompanied by Periodic Expense Reports (PER) on the WBRS system that cover the full reporting period. All PER reports and FSR reports must be saved as "Approved" on WBRS by the deadline established by the Commission.

23. AmeriCorps Definitions

- **Act** refers to the National and Community Service Act of 1990, as amended (42 U.S.C. §12501 et seq.)
- **Administrative Costs** are expenses associated with the overall administration of a Program, and are defined in the General Provisions, Clause 24, Administrative Costs.
- **AmeriCorps National Service Network** means AmeriCorps*State, AmeriCorps*National, AmeriCorps*Tribes and Territories, Volunteer in Service to America (VISTA), and National Civilian Community Corps (NCCC) Programs taken together as programs dedicated to national service. VISTA is authorized under the Domestic Volunteer Service Act (42 U.S.C. §4950 et seq.). NCCC is authorized under the National and Community Service Act (42 U.S.C. §12611 et seq.).
- **Approved national service position** means a national service position for which the Corporation has approved the provision of a national service educational award as one of the benefits to be provided for successful service in the position.
- **Corporation** means the Corporation for National and Community Service established under of the Act (42 U.S.C. § 12651).
- **Educational Award** means an award provided to a member who has completed a required term of service in an approved national service position successfully and who otherwise meets the eligibility criteria set forth in the Act. An educational award may be used: (1) to repay qualified student loans, as defined in the Act; (2) toward the cost of attendance at an institution of higher education, as those terms are defined in the Act; and (3) toward expenses incurred in participating in school-to-work programs approved by the Secretaries of Labor and Education.
- **Grantee** means the direct recipient of AmeriCorps Grant Awards from the Corporation for National Service. The North Dakota Workforce Development Council – State Commission for National and Community Service is the Grantee for the purposes of this agreement. The Grantee is responsible for compliance with these provisions, including regulations and OMB circulars incorporated by reference. The Grantee is legally accountable to the Corporation for the use of Grant funds and is bound by the provisions of the Grant.
- **Indian tribe** means a federally-recognized Indian tribe, band, nation, or other recognized group or community, including any Native Village, Regional Corporation, or Village Corporation, as defined under the Alaska Native Claims Settlement Act (43 U.S.C. 1602), that the United States Government determines is eligible for special programs and services provided under federal law to Indians because of their status as Indians. An Indian tribe also includes any tribal organization controlled, sanctioned, or chartered by one of the entities described above.
- **Member** means an individual:
 - a. Who is enrolled in an approved national service position;
 - b. Who is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States;
 - c. Who is at least 17 years of age at the commencement of service unless the member is out of school and enrolled;

- i. In a full-time, year-round youth corps program or full-time summer program as defined in the Act (42 U.S.C. §12572 (a) (2)), in which case he or she must be between the ages of 16 and 25, inclusive;
 - ii. In a Program for economically disadvantaged youth as defined in the Act (42 U.S.C. §12572 (a)(9)), in which case he or she must be between the ages of 16 and 24, inclusive;
 - d. Has a high school diploma or an equivalency certificate [or agrees to obtain a high school diploma or its equivalent before using an educational award] and who has not dropped out of elementary or secondary school in order to enroll as an AmeriCorps Member (unless enrolled in an institution of higher education on an ability to benefit basis and is considered eligible for funds under section 484 of the Higher Education Act of 1965, 20 U.S.C. §1091), or who has been determined through an independent assessment conducted by the program to be incapable of obtaining a high school diploma or its equivalent.
- **National Service Trust** is the account established in the U.S. Department of the Treasury under the Act (42 U.S.C. §12601) for the purpose of holding and making payments of educational awards and other educational benefits to AmeriCorps members.
 - **OMB** means the U.S. Office of Management and Budget.
 - **Out –Of –School Youth** means youth age 16 or older who have either dropped out of otherwise have no permanent affiliation with a secondary school. This definition does not include individuals who are in between school years and fully intend to return to school in the fall.
 - **Parent Organization** means a grantee that is responsible for implementing and managing a National Direct AmeriCorps program.
 - **Program** means a national service program, described in the Act (42 U.S.C. §12572(a)), carried out by the Sub-Grantee through funds awarded by the Corporation and carried out in accordance with federal requirements and the provisions of this grant.
 - **Project** means an activity or set of activities carried out by a program that results in a specific, identifiable community service or improvement:
 - a. That otherwise would not have been made with existing funds; and
 - b. That does not duplicate the routine services or functions of the organization to which the members are assigned.
 - **Service recipient** means a community beneficiary who receives a service or benefit from the service of AmeriCorps members.
 - **Service Site** means a community beneficiary who receives a service or benefit from the service of AmeriCorps members.
 - **State Commission** means the North Dakota Workforce Development Council – State Commission on National and Community Service established pursuant to the Act (42 U.S.C. § 12638), including an authorized alternative administrative entity to administer the State’s national service plan and national service programs and to perform such other duties prescribed by 45 C.F.R. 2550.80.
 - **Sub-Grantee** refers to an organization receiving AmeriCorps grant funds from the State Commission.